The Fiscal Monitor

A Publication of the Department of Finance

Highlights

September 2009: budgetary deficit of $5.0 billion

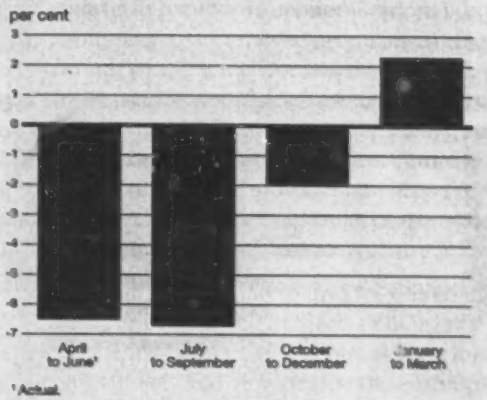
There was a budgetary deficit of $5.0 billion in September 2009, compared to a deficit of $0.6 billion in September 2008. The September 2009 deficit reflects the impact of the weaker economy on the Government's finances, as well as measures introduced under Canada's Economic Action Plan. Revenues were down $3.6 billion from September 2008, driven by declines in income tax revenues, as well as goods and services tax (GST) and other revenues. Program expenses increased by $1.1 billion compared to September 2008, largely reflecting higher Employment Insurance (EI) benefit payments and higher transfers to other levels of government. Public debt charges decreased by $0.3 billion compared to September 2008 due to lower average effective interest rates.

April to September 2009: budgetary deficit of $28.6 billion

For the first half of the 2009–10 fiscal year, the budgetary deficit was $28.6 billion, compared to a budgetary surplus of $0.5 billion reported in the same period of 2008–09. Over $11 billion of the $28.6-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry. Revenues were down $14.2 billion, or 12.3 per cent, reflecting declines across most revenue streams, particularly personal and corporate income tax and GST revenues. The decline in revenues through September is generally in line with the projected quarterly pattern of economic growth, in which nominal gross domestic product (GDP), the broadest single measure of the tax base, is expected to be weak through the first six months of the fiscal year before strengthening in the October to December timeframe. The impact of the economic profile on revenue growth highlights the sensitivity of the 2009–10 revenue projections to the economic recovery.

Program expenses were up $16.3 billion, or 16.5 per cent, mainly reflecting higher EI benefit payments, higher transfers to other levels of government and support for the automotive industry. Public debt charges were down $1.4 billion on a year-over-year basis, reflecting lower interest rates.

2009–10 Projected Nominal GDP Growth
(Year-Over-Year)



¹ Actual.

Sources: Statistics Canada; Department of Finance Canada August 2009 survey of private sector forecasters.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

September 2009

There was a budgetary deficit of $5.0 billion in September 2009, compared to a $0.6-billion deficit in September 2008.

Revenues decreased by $3.6 billion, or 19.4 per cent, to $15.2 billion in September 2009.

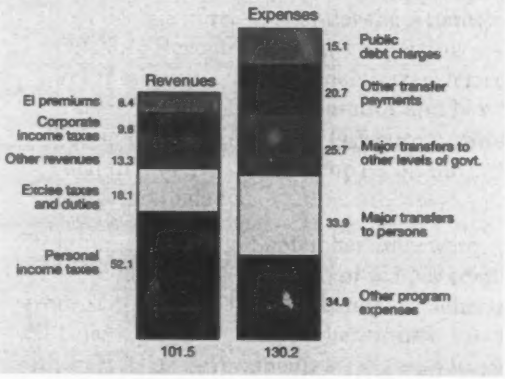
- Personal income tax revenues decreased by $1.5 billion, or 16.2 per cent, reflecting lower employment, personal income tax reductions announced in Canada's Economic Action Plan and weaker quarterly instalment payments.
- Corporate income tax revenues were down $1.2 billion, or 58.9 per cent, reflecting higher corporate refunds and lower receipts.
- Non-resident income tax revenues were down $0.1 billion, or 31.8 per cent.
- Excise taxes and duties were down $0.3 billion, or 8.4 per cent, driven by lower GST revenues. GST revenues were down $0.3 billion, or 10.8 per cent. Energy taxes were up $7 million, customs import duties were down $29 million, and other excise taxes and duties decreased by $18 million.
- EI premium revenues were up $17 million. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sale of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were down $0.5 billion, or 22.0 per cent, due in large part to a decline in receipts under the Atlantic Offshore Revenue Accounts, reflecting lower oil prices. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance.

Program expenses in September 2009 were $17.9 billion, up $1.1 billion, or 6.3 per cent, from September 2008, largely due to higher EI benefit payments and higher transfers to other levels of government.

In September 2009, transfer payments were up $0.9 billion, or 8.4 per cent, from September 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.6 billion, or 11.7 per cent. Elderly benefits increased by $0.1 billion, or 5.2 per cent. EI benefit payments increased by $0.4 billion, or 31.3 per cent, reflecting significantly higher regular benefits due to rising unemployment, as well as benefit enhancement measures announced as part of Canada's Economic Action Plan. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $51 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.3 billion, or 7.6 per cent. An adjustment has been made in September 2009 to reclassify certain transfer payments within major transfers to other levels of government to reflect the presentation that will be used in the 2009–10 Public Accounts. This reclassification has no impact on the total amount of major transfers to other levels of government recorded during the month.

Revenues and expenses
(April to September 2009)
$ billions



- Other transfer payments increased by $0.1 billion, or 2.8 per cent, reflecting increased transfers for infrastructure, largely offset by a decrease in agricultural assistance and a decline in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by $0.1 billion, or 2.4 per cent, over last year.

Public debt charges decreased by $0.3 billion compared to September 2008 due to lower average effective interest rates on the stock of interest-bearing debt.

April to September 2009

Through the first half of the 2009–10 fiscal year, there was a budgetary deficit of $28.6 billion, compared to a surplus of $0.5 billion reported during the same period of 2008–09. Over $11 billion of the $28.6-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry.

Revenues declined by $14.2 billion, or 12.3 per cent, to $101.5 billion.

- Personal income tax revenues were down $4.2 billion, or 7.5 per cent, reflecting lower employment and the impact of tax relief measures. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, as well as the Home Renovation Tax Credit. Personal income tax revenues are expected to remain weak through the remainder of 2009 and then begin to rise year-over-year in the first quarter of 2010, reflecting projected wage growth and the expiration of the Home Renovation Tax Credit at the end of January 2010.
- Corporate income tax revenues were down $6.3 billion, or 39.5 per cent, reflecting an increase of roughly 50 per cent in refunds of taxes paid in previous years and a decline of about 12 per cent in receipts.
- Non-resident income tax revenues were down $0.3 billion, or 12.7 per cent.
- Excise taxes and duties were down $2.8 billion, or 13.4 per cent, primarily due to a $2.5-billion, or 17.9-per-cent, decline in GST revenues. GST revenues are projected to strengthen over the course of the fiscal year, reflecting the unwinding of timing impacts that dampened GST revenues early in the fiscal year and the projected recovery over the remainder of the fiscal year in consumer spending on items that are subject to the GST. Energy taxes were down $31 million, customs import duties were down $0.2 billion, and other excise taxes and duties decreased by $0.1 billion.
- EI premium revenues were up 0.2 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues were down $0.6 billion, or 5.5 per cent.

Program expenses for April to September 2009 were $115.1 billion, up $16.3 billion, or 16.5 per cent, from the same period last year, primarily reflecting higher EI benefit payments, higher transfers to other levels of government and support for the automotive industry.

Transfer payments for April to September 2009 were up $15.4 billion, or 23.8 per cent, from the same period last year.

- Major transfers to persons were up $4.6 billion, or 15.6 per cent. Elderly benefits increased by $0.9 billion, or 5.5 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $3.5 billion, or 50.1 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $0.1 billion.

- Major transfers to other levels of government were up $2.2 billion, or 9.4 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.
- Other transfer payments were up $8.7 billion, mainly reflecting support for the automotive industry and increased infrastructure funding. This increase was partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by $0.9 billion, or 2.6 per cent, from last year's level, due mainly to an increase in the operating expenses of National Defence.

Public debt charges decreased by $1.4 billion, or 8.5 per cent, as the increase in the stock of interest-bearing debt was more than offset by lower average effective interest rates on that stock.

Financial requirement of $55.7 billion for April to September 2009

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $28.6 billion and a requirement of $27.0 billion from non-budgetary transactions, there was a financial requirement of $55.7 billion in the April to September period of 2009–10, compared to a financial requirement of $15.9 billion in the same period of 2008–09. This year-over-year difference is due mainly to the deterioration in the budgetary balance.

Net financing activities up $30.7 billion

The Government financed this financial requirement of $55.7 billion by increasing market debt by $30.7 billion and reducing cash balances by $25.0 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of September 2009 stood at $20.1 billion, $12.3 billion above their level at the end of September 2008.

Table 1

Summary statement of transactions

	September		April to September	
	2008	2009	2008–09	2009–10
		($millions)		
Budgetary transactions				
Revenues	18,826	15,181	115,795	101,547
Expenses				
Program expenses	-16,830	-17,892	-98,809	-115,129
Public debt charges	-2,546	-2,248	-16,451	-15,060
Budgetary balance (deficit/surplus)	-550	-4,959	535	-28,642
Non-budgetary transactions	4,229	-5,204	-16,476	-27,034
Financial source/requirement	3,679	-10,163	-15,941	-55,676
Net change in financing activities	-5,136	5,697	12,464	30,712
Net change in cash balances	-1,457	-4,466	-3,477	-24,964
Cash balance at end of period			7,765	20,068

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2

Revenues

	September			April to September		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,567	8,019	-16.2	56,357	52,130	-7.5
Corporate income tax	2,062	848	-58.9	15,831	9,581	-39.5
Non-resident income tax	384	262	-31.8	2,669	2,330	-12.7
Total income tax	12,013	9,129	-24.0	74,857	64,041	-14.4
Excise taxes and duties						
Goods and services tax	2,524	2,252	-10.8	13,771	11,311	-17.9
Energy taxes	458	465	1.5	2,533	2,502	-1.2
Customs import duties	348	319	-8.3	2,070	1,831	-11.5
Other excise taxes and duties	366	348	-4.9	2,578	2,495	-3.2
Total excise taxes and duties	3,696	3,384	-8.4	20,952	18,139	-13.4
Total tax revenues	15,709	12,513	-20.3	95,809	82,180	-14.2
Employment Insurance premiums	995	1,012	1.7	8,393	8,408	0.2
Other revenues	2,122	1,656	-22.0	11,593	10,959	-5.5
Total revenues	18,826	15,181	-19.4	115,795	101,547	-12.3

Note: Totals may not add due to rounding.

Table 3

Expenses

	September			April to September		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,750	2,894	5.2	16,275	17,178	5.5
Employment Insurance benefits	1,217	1,598	31.3	7,052	10,582	50.1
Children's benefits	974	1,025	5.2	6,017	6,152	2.2
Total	4,941	5,517	11.7	29,344	33,912	15.6
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,886	2,165	14.8	11,315	12,363	9.3
Canada Social Transfer	880	830	-5.7	5,279	5,430	2.9
Total	2,766	2,995	8.3	16,594	17,793	7.2
Fiscal transfers	1,236	1,272	2.9	7,859	8,351	6.3
Canada's cities and communities	0	0	n/a	481	957	99.0
Alternative Payments for Standing Programs	-254	-235	-7.5	-1,420	-1,378	-3.0
Total	3,748	4,032	7.6	23,514	25,723	9.4
Other transfer payments						
Agriculture and Agri-Food	276	65	-76.4	688	628	-8.7
Foreign Affairs and International Trade	198	170	-14.1	1,334	1,390	4.2
Health	242	241	-0.4	1,123	1,290	14.9
Human Resources and Social Development	161	244	51.6	1,085	1,484	36.8
Indian Affairs and Northern Development	450	403	-10.4	2,456	2,553	3.9
Industry	143	171	19.6	951	1,060	11.5
Other	784	1,022	30.4	4,438	12,333	177.9
Total	2,254	2,316	2.8	12,075	20,738	71.7
Total transfer payments	10,943	11,865	8.4	64,933	80,373	23.8
Other program expenses						
Crown corporations	611	743	21.6	3,897	4,109	5.4
Defence	1,643	1,719	4.6	8,922	9,392	5.3
All other departments and agencies	3,633	3,565	-1.9	21,057	21,255	0.9
Total other program expenses	5,887	6,027	2.4	33,876	34,756	2.6
Total program expenses	16,830	17,892	6.3	98,809	115,129	16.5
Public debt charges	2,546	2,248	-11.7	16,451	15,060	-8.5
Total expenses	19,376	20,140	3.9	115,260	130,189	13.0

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	September		April to September	
	2008	2009	2008–09	2009–10
			($ millions)	
Budgetary balance (deficit/surplus)	-550	-4,959	535	-28,642
Non-budgetary transactions				
Capital investment activities	-511	-477	-1,443	-1,243
Other investing activities	-1,459	-3,344	-13,993	-16,752
Pension and other accounts	396	278	2,465	3,640
Other activities				
Accounts payable, receivables, accruals and allowances	5,937	790	-3,249	-15,740
Foreign exchange activities	-408	-2,763	-1,937	1,409
Amortization of tangible capital assets	274	312	1,681	1,652
Total other activities	5,803	-1,661	-3,505	-12,679
Total non-budgetary transactions	4,229	-5,204	-16,476	-27,034
Financial source/requirement	3,679	-10,163	-15,941	-55,676

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	September		April to September	
	2008	2009	2008–09	2009–10
			($ millions)	
Financial source/requirement	3,679	-10,163	-15,941	-55,676
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-7,422	1,793	-2,143	37,071
Treasury bills	2,700	2,300	16,300	700
Canada Savings Bonds	11	-17	-115	-60
Other	0	0	-492	-67
Total	-4,711	4,076	13,550	37,644
Foreign currency borrowings	149	2,220	-1,023	-2,112
Total	-4,562	6,296	12,527	35,532
Cross-currency swap revaluation	-602	-492	-354	-4,471
Unamortized discounts on debt issues	38	-96	374	-263
Obligations related to capital leases	-10	-11	-83	-86
Net change in financing activities	-5,136	5,697	12,464	30,712
Change in cash balance	-1,457	-4,466	-3,477	-24,964

Note: Totals may not add due to rounding.

Table 6

Condensed statement of assets and liabilities

	March 31, 2009	September 30, 2009	Change
		($ millions)	
Liabilities			
Accounts payable and accrued liabilities	113,999	92,442	-21,557
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	295,186	332,257	37,071
Treasury bills	192,275	192,975	700
Retail debt	12,532	12,472	-60
Other	523	456	-67
Subtotal	500,516	538,160	37,644
Payable in foreign currencies	10,381	8,269	-2,112
Cross-currency swap revaluation account	3,690	-781	-4,471
Unamortized discounts and premiums on market debt	-4,751	-5,014	-263
Obligations related to capital leases	4,184	4,098	-86
Total unmatured debt	514,020	544,732	30,712
Pension and other liabilities			
Public sector pensions	139,909	141,805	1,896
Other employee and veteran future benefits	50,311	52,050	1,739
Other liabilities	5,923	5,928	5
Total pension and other liabilities	196,143	199,783	3,640
Total interest-bearing debt	710,163	744,515	34,352
Total liabilities	824,162	836,957	12,795
Financial assets			
Cash and accounts receivable	122,147	91,366	-30,781
Foreign exchange accounts	51,709	50,300	-1,409
Loans, investments, and advances (net of allowances)	125,093	141,845	16,752
Total financial assets	298,949	283,511	-15,438
Net debt	525,213	553,446	28,233
Non-financial assets	61,503	61,094	-409
Federal debt (accumulated deficit)	463,710	492,352	28,642

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.
Ce document est également offert en français.
November 2009